



February 9, 2001

HOUSE BILL No. 1573

DIGEST OF HB 1573 (Updated February 5, 2001 6:32 PM - DI 87)

Citations Affected: IC 23-1.5; IC 25-2.1; noncode.

Synopsis: CPAs and public accountants. Defines "attest", "compilation", and other terms. Provides standards for: (1) the certification in Indiana of a person who is certified as a CPA in another state and makes Indiana the person's principal place of business; and (2) the practice in Indiana of a person who is certified as a CPA in another state and whose principal place of business is in another state. Makes changes concerning accounting practitioners and public accountants. Allows the issuance of a CPA firm permit to a CPA firm that has a member who is not a CPA under certain circumstances. Imposes a requirement that a firm without a permit issued in Indiana may issue a compilation report only if the person signing the report is a CPA or public accountant and meets the competency requirements provided in applicable standards. Requires the board of accountancy to investigate complaints concerning violations committed in another state by a CPA licensed in Indiana. Allows the Indiana board of accountancy to issue new accounting practitioner certificates until July 1, 2006. Provides that the minimum education requirement for an accounting practitioner certificate is a two year associate degree from an accredited business college, college, or university recognized by the board, with the total educational program to include an accounting concentration or equivalent. Allows individuals who meet the new two year requirements to take the accounting practitioner exam after July 1, 2001. Makes related changes.

Effective: July 1, 2001.

Kuzman, Buell

January 11, 2001, read first time and referred to Committee on Public Policy, Ethics and Veterans Affairs.
February 8, 2001, amended, reported — Do Pass.

HB 1573—LS 7854/DI 51+



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February 9, 2001

First Regular Session 112th General Assembly (2001)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2000 General Assembly.

HOUSE BILL No. 1573

A BILL FOR AN ACT to amend the Indiana Code concerning professions and occupations.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 23-1.5-2-3 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 3. (a) Except as
3 provided in subsections (c) and (d) **and IC 25-2.1-5**, a professional
4 corporation may be formed to render professional services as follows:
5 (1) One (1) or more accounting professionals may form a
6 professional corporation to render services that may legally be
7 performed only by an accounting professional.
8 (2) One (1) or more architectural or engineering professionals
9 may form a professional corporation to render services that may
10 legally be performed only by an architectural or engineering
11 professional.
12 (3) One (1) or more attorneys may form a professional corporation
13 to render services that may legally be performed only by an
14 attorney.
15 (4) One (1) or more health care professionals may form a
16 professional corporation to render services that may legally be
17 performed only by a health care professional.

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(5) One (1) or more veterinarians may form a professional corporation to render services that may legally be performed only by a veterinarian.

(6) One (1) or more real estate professionals may form a professional corporation to render services that may legally be performed only by a real estate professional.

(b) A foreign professional corporation may be admitted to render professional services in Indiana by complying with IC 23-1.5-5.

(c) A domestic professional corporation or a foreign professional corporation admitted to render professional services in Indiana:

(1) shall have at least one (1) shareholder who is licensed in Indiana; and

(2) may have at least one (1) shareholder who is licensed under the laws of another state to render similar professional services.

(d) In addition to the professional services permitted by its articles of incorporation, a professional corporation may invest its funds in any type of investment not prohibited by law.

SECTION 2. IC 23-1.5-3-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1. (a) **Except as provided in IC 25-2.1-5**, a professional corporation may issue shares, fractional shares, and rights or options to purchase shares only to:

(1) individuals who are authorized by Indiana law or the laws of another state to render a professional service permitted by the articles of incorporation of the corporation;

(2) general partnerships in which all the partners are authorized by Indiana law or the laws of another state to render a professional service permitted by the articles of incorporation of the corporation;

(3) professional corporations authorized by Indiana law or the laws of another state to render a professional service permitted by the articles of incorporation of the corporation; and

(4) the trustee of a qualified trust.

(b) When determined necessary by the licensing authority for any profession in order to prevent violations of the ethical standards of the profession, the licensing authority may by rule further restrict, condition, or abridge the authority of professional corporations to issue shares, but no such rule may, of itself, have the effect of causing a shareholder of a professional corporation at the time the rule becomes effective to become a disqualified person. All shares issued in violation of:

(1) this section; or

(2) any rule adopted by a licensing authority as provided by this



section;
are void.

(c) **Except as provided in IC 25-2.1-5**, a shareholder of a professional corporation may transfer or pledge shares, fractional shares, and rights or options to purchase shares of the corporation only to individuals, general partnerships, professional corporations, and trustees of qualified trusts qualified under this article to own shares issued directly to them by the professional corporation. A transfer of shares in violation of this subsection is void; however, this subsection does not apply to the transactions described in section 3 of this chapter.

(d) Each certificate representing shares of a professional corporation must state conspicuously upon its face that the shares represented by that certificate are subject to:

- (1) restrictions on transfer imposed by this article; and
- (2) such restrictions on transfer as may be imposed by the licensing authority under this article.

(e) This section does not permit or authorize an individual to practice within Indiana any profession with respect to which a license or registration is required by the state without the individual being licensed or registered under the laws of the state.

SECTION 3. IC 25-2.1-1-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1. This article may be cited as "the accountancy act of ~~1993~~ **2001**".

SECTION 4. IC 25-2.1-1-3.3 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 3.3. "AICPA" refers to the American Institute of Certified Public Accountants.**

SECTION 5. IC 25-2.1-1-3.8 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 3.8. "Attest" means to provide any of the following financial statement services:**

- (1) **An audit or other engagement performed in accordance with the AICPA Statements on Auditing Standards (SAS) or other similar standards adopted by reference under IC 25-2.1-2-15.**
- (2) **A review of a financial statement performed in accordance with the AICPA Statements on Standards for Accounting and Review Services (SSARS) or other similar standards adopted by reference under IC 25-2.1-2-15.**
- (3) **An examination of prospective financial information performed in accordance with the AICPA Statements on Standards for Attestation Engagements (SSAE) or other**



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1 **similar standards adopted by reference under IC 25-2.1-2-15.**
 2 SECTION 6. IC 25-2.1-1-5 IS AMENDED TO READ AS
 3 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 5. "Certificate" means:

4 (1) a certificate **for a certified public accountant** issued under
 5 IC 25-2.1-3 ~~or a corresponding certificate for a certified public~~
 6 ~~accountant that is issued after examination by another state; or~~
 7 **IC 25-2.1-4;**

8 (2) a certificate of registration for an accounting practitioner
 9 issued under IC 25-2.1-6-1; or

10 (3) a certificate for a certified public accountant, public
 11 accountant, or accounting practitioner renewed under
 12 **IC 25-2.1-4.**

13 SECTION 7. IC 25-2.1-1-6.3 IS ADDED TO THE INDIANA
 14 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
 15 [EFFECTIVE JULY 1, 2001]: Sec. 6.3. "Compilation" means
 16 **providing a service to be performed in accordance with AICPA**
 17 **Statements on Standards for Accounting and Review Services**
 18 **(SSARS) or other similar standards adopted by reference under**
 19 **IC 25-2.1-2-15 that is presenting in the form of financial**
 20 **statements, information that is the representation of the firm's**
 21 **management or owners without undertaking to express any**
 22 **assurance on the statements.**

23 SECTION 8. IC 25-2.1-1-6.5 IS ADDED TO THE INDIANA
 24 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
 25 [EFFECTIVE JULY 1, 2001]: Sec. 6.5. "CPA" means a **certified**
 26 **public accountant.**

27 SECTION 9. IC 25-2.1-1-7 IS AMENDED TO READ AS
 28 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 7. "Firm" means a
 29 proprietorship, a general business corporation, a professional
 30 corporation, a limited liability company, a partnership, or other form of
 31 legal entity ~~in which an accounting firm is allowed to practice; issued~~
 32 **a permit under IC 25-2.1-5 or a registration under IC 25-2.1-6.**

33 SECTION 10. IC 25-2.1-1-8 IS AMENDED TO READ AS
 34 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 8. "Licensee" means
 35 the holder of:

36 (1) a certificate; ~~issued under IC 25-2.1-3; or~~

37 (2) a **firm** permit issued under IC 25-2.1-5 or

38 ~~(3) a holder of a certificate issued under IC 25-2.1-6.~~

39 SECTION 11. IC 25-2.1-1-8.5 IS ADDED TO THE INDIANA
 40 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
 41 [EFFECTIVE JULY 1, 2001]: Sec. 8.5. "PA" means a **public**
 42 **accountant.**



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SECTION 12. IC 25-2.1-1-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 9. "Permit" means a permit to practice accountancy **as a firm** issued under IC 25-2.1-5 or by another state.

SECTION 13. IC 25-2.1-1-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 10. (a) "Practice of accountancy" means the performance or the offering to perform by ~~an individual or firm holding itself out to the public as~~ a licensee of a service involving:

- (1) the use of accounting or auditing skills, including the issuance of reports on financial statements;
- (2) management advisory, financial advisory, or consulting services; or
- (3) the preparation of tax returns or the furnishing of advice on tax matters.

(b) The term does not include the performance or offering of the following services if **the person performing or offering the services is not a licensee and** no representation is made that the person performing or offering the service is a licensee:

- (1) The selling and installing of data processing or bookkeeping equipment and forms.
- (2) The preparation of tax returns.
- (3) The performance of bookkeeping.

SECTION 14. IC 25-2.1-1-10.3 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 10.3. "Professional" means the following:

- (1) For a certified public accountant, arising out of or related to the specialized knowledge or skills associated with certified public accountants.
- (2) For a public accountant, arising out of or related to the specialized knowledge or skills associated with public accountants.
- (3) For an accounting practitioner, arising out of or related to the specialized knowledge or skills associated with accounting practitioners.

SECTION 15. IC 25-2.1-1-13 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 13. (a) "Report", when used with reference to financial statements, means an opinion or other form of language that ~~provides states or implies~~ assurance as to the reliability of ~~a any financial statement statements~~ and that **also includes or** is accompanied by ~~a any~~ statement or ~~an~~ implication that



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the individual or firm issuing the statement or implication it has special knowledge or competence in accounting or auditing. The statement or implication of special knowledge or competence may arise from use by the issuer of the report of names or titles indicating that the individual is an accountant or auditor or from the language of the report.

(b) The term includes any form of language that disclaims an opinion when the form of the language is conventionally understood to imply any positive assurance as to:

- (1) the reliability of the financial statements referred to; or**
- (2) special competence on the part of the individual or firm issuing the language.**

(c) The term includes any other form of language that is conventionally understood to imply an assurance or special knowledge or competence described in subsection (b).

SECTION 16. IC 25-2.1-1-15 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 15. "Substantial equivalency" means a determination by the board or its designee that the:**

- (1) education, examination, and experience requirements contained in the laws and administrative rules of another state are comparable to, or exceed the education, examination, and experience requirements of this state; or**
- (2) education, examination, and experience qualifications of the holder of a certificate granted by another state are comparable to or exceed the education, examination and experience requirements of this state.**

SECTION 17. IC 25-2.1-2-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 3. (a) The board consists of six (6) members appointed by the governor.**

(b) Four (4) members must meet the following conditions:

- (1) Be a resident of Indiana.**
- (2) Be a certified public accountant under IC 25-2.1-3 or IC 25-2.1-4.**

(c) One (1) member must meet the following conditions:

- (1) Be a resident of Indiana.**
- (2) Be certified as a public accountant or an accounting practitioner under ~~IC 25-2.1-3 or IC 25-2.1-4~~ IC 25-2.1-6.**

(d) One (1) member must meet the following conditions:

- (1) Be a resident of Indiana.**
- (2) Be a consumer who is not certified under this article but has professional or practical experience in the use of accounting services and financial statements that qualify the individual to**



make judgments about the qualifications and conduct of individuals and firms under this article.

SECTION 18. IC 25-2.1-2-15 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 15. The board may adopt rules under IC 4-22-2 governing the administration and enforcement of this article and the conduct of licensees, including the following:

- (1) The board's meetings and conduct of business.
- (2) The procedure of investigations and hearings.
- (3) The educational and experience qualifications required for the issuance of certificates under ~~IC 25-2.1-3~~ **this article** and the continuing professional education required for renewal of certificates under IC 25-2.1-4.
- (4) Rules of professional conduct directed to controlling the quality and probity of the practice of accountancy by ~~certificate holders~~, **licensees**, including independence, integrity, and objectivity, competence and technical standards, and responsibilities to the public and clients.
- (5) The actions and circumstances that constitute professing to be a licensee in connection with the practice of accountancy.
- (6) The manner and circumstances of use of the title "certified public accountant" and the abbreviation "CPA".
- (7) Quality reviews that may be required to be performed under this article.
- (8) Methods of applying for and conducting the examinations, including methods for grading ~~papers~~ **examinations** and determining a passing grade required of an applicant for a certificate. However, the board shall to the extent possible ~~uniformly grade~~ **provide that the examination, grading of the examination, and issue the passing grades that** are uniform with those applicable in other states.

(9) Substantial equivalency.

SECTION 19. IC 25-2.1-3-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1. The board shall issue a **CPA** certificate to an individual who does the following:

- (1) Demonstrates good character through lack of a history of dishonest or felonious acts.
- (2) Meets the ~~education~~ requirements ~~under section 2 of set forth~~ **in this chapter and IC 25-2.1-4.**
- (3) Pays the fee established by the board.

SECTION 20. IC 25-2.1-3-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 6. (a) To qualify for a

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CPA certificate an applicant must pass all sections of the examination provided for in this chapter.

(b) If at a sitting of the examination an applicant passes at least two (2) sections, the applicant is credited for those sections that the applicant has passed and is not required to sit for reexamination in those sections, if:

(1) the applicant wrote all sections of the examination at one (1) sitting;

(2) the applicant attained a minimum grade of fifty (50) on each section not passed at that sitting;

(3) the applicant passes the remaining sections of the examination within six (6) consecutive examinations given after the examination at which the first sections were passed;

(4) at each subsequent sitting at which the applicant seeks to pass any additional sections, the applicant writes all sections not yet passed; and

(5) in order to receive credit for passing additional sections in each subsequent sitting, the applicant attains a minimum grade of fifty (50) on sections written but not passed on that sitting.

SECTION 21. IC 25-2.1-3-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 10. An applicant for the initial issuance of a certificate under this chapter shall show that the applicant has had ~~three (3)~~ **two (2)** years of experience. ~~in the practice of accountancy or its equivalent under the direction or supervision of a certified public accountant, a public accountant, an accounting practitioner, or a chartered accountant licensed in a United States, Canadian, or other jurisdiction meeting the requirements prescribed by the board.~~ **To qualify as experience under this section, an applicant may provide any type of service or advice that:**

(1) constitutes the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills as determined under the rules adopted by the board; and

(2) is verified by a licensee.

Experience of the type described in this section applies equally toward meeting the experience requirement of this section regardless of whether it is gained through employment in government, industry, academia, or public practice.

SECTION 22. IC 25-2.1-3-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 11. An advanced degree in accounting or business administration from a college or university recognized by the board, and the satisfactory completion of

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the semester hours in accounting, business administration, economics, and other related subjects that the board determines are appropriate, may be substituted ~~for public accounting experience~~ as the board determines appropriate **for experience of the type described in section 10 of this chapter.**

SECTION 23. IC 25-2.1-4-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1. The board shall ~~grant or renew a certificate to an individual who issued under this chapter,~~ **IC 25-2.1-3 (certified public accountants) or IC 25-2.1-6 (public accountants and accounting practitioners), if the holder of the certificate applies and meets the requirements under this chapter.**

SECTION 24. IC 25-2.1-4-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 4. **(a)** The board shall issue a CPA certificate to a holder of a certificate ~~license, or permit~~ issued by another state **if the holder meets the requirements under subsection (b) or (c).**

(b) With regard to applicants who do not qualify for reciprocity under the substantial equivalency standard set forth in section 10(a)(2) of this chapter, the board shall issue a CPA certificate to a holder of a certificate issued by another state upon a showing that:

(1) the applicant has:

(A) passed the examination required for issuance of the applicant's certificate; with grades that would have been passing grades at the time in Indiana; or and

(2) (B) the applicant:

(A) meets all current requirements in Indiana for issuance of a certificate at the time application is made;

(B) at the time of the issuance of the applicant's certificate in the other state, met all such requirements then applicable in Indiana; or

(C) (i) had five (5) four (4) years of experience outside in Indiana in the practice of accountancy or another state of the type described in IC 25-2.1-3-10 or meets equivalent requirements prescribed by the board after passing the examination on which the applicant's certificate was based and during the ten (10) years immediately preceding the applicant's application; and

(ii) if the applicant's certificate was issued by the other state more than four (4) years before the application for issuance of an initial certificate under this chapter, the applicant has fulfilled the requirements for continuing professional education that would have been applicable



under section 5 of this chapter.

(c) The board shall issue a CPA certificate to a CPA certified by another state that seeks to establish the individual's principal place of business in Indiana if the:

(1) individual requests the issuance of a certificate from the board before establishing the individual's principal place of business in Indiana; and

(2) board or its designee determines that the individual's CPA qualifications are substantially equivalent to the CPA licensure requirements of Indiana.

SECTION 25. IC 25-2.1-4-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 8. The board shall issue a CPA certificate to a holder of a designation granted in a foreign country entitling the holder to engage in the practice of accountancy if:

(1) the foreign authority that granted the designation makes a similar provision to allow an individual who holds a valid certificate issued by the board to obtain the foreign authority's comparable designation;

(2) the foreign designation:

(A) was issued by a foreign authority that regulates the practice of accountancy and has not expired, been revoked, or suspended;

(B) entitles the holder to issue reports for financial statements; and

(C) was issued upon the basis of educational and examination and experience requirements established by the foreign authority; and

(3) the applicant:

(A) received the designation, based on educational and examination standards substantially equivalent to those in effect in Indiana at the time the foreign designation was granted;

(B) meets:

(i) an experience requirement substantially equivalent to the requirement under IC 25-2.1-3-10, in the jurisdiction that granted the foreign designation;

(ii) has completed ~~five (5)~~ **four (4)** years of experience in the practice of accountancy in Indiana or another state of the type described in IC 25-2.1-3-10; or

(iii) meets equivalent requirements established by the board within the ten (10) years immediately preceding the application; and

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(C) passed a uniform qualifying examination in national standards and an examination on the laws, rules, and code of ethical conduct in effect in Indiana acceptable to the board.

SECTION 26. IC 25-2.1-4-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 9. An applicant ~~under this chapter for initial issuance or renewal of a certificate~~ shall in the application list each jurisdiction where the applicant has applied for or holds a designation to practice accountancy and each holder of a certificate issued under this ~~chapter~~ **article** shall notify the board in writing, not more than thirty (30) days after its occurrence of any issuance, denial, revocation, or suspension of a designation, or the commencement of a disciplinary or enforcement action by any jurisdiction.

SECTION 27. IC 25-2.1-4-10 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 10. (a) An individual:**

- (1) whose principal place of business is not in Indiana; and**
- (2) either:**

(A) who has a valid certificate as a CPA from any state that the board or its designee has determined to be in substantial equivalence with the CPA licensure requirements of this state; or

(B) whose individual CPA qualifications have been determined by the board or its designee as substantially equivalent to the CPA licensure requirements of Indiana; shall be presumed to have qualifications substantially equivalent to this state's requirements and shall have all the privileges granted to the holder of a CPA certificate under IC 25-2.1-3 without the need to obtain a certificate under IC 25-2.1-3 or a permit under IC 25-2.1-5.

(b) An individual to which subsection (a) applies shall notify the board of the individual's intent to enter the state under subsection (a).

(c) An individual of another state exercising the privilege granted under this section consents, as a condition of the grant of this privilege to:

- (1) the personal and subject matter jurisdiction and disciplinary authority of the board;**
- (2) comply with this article and the board's rules; and**
- (3) the appointment of the state board or agency that issued the individual's license as the individual's agent on whom process may be served in any action or proceeding by this**



board against the individual.

SECTION 28. IC 25-2.1-5-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1. The board shall grant or renew a permit to practice accountancy to a **CPA or PA** firm that applies and meets the requirements under this chapter.

SECTION 29. IC 25-2.1-5-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 2. An initial and renewed ~~certificate~~ **permit** expires at the earlier of the following:

- (1) Three (3) years after issuance.
- (2) At a time established by the board.

SECTION 30. IC 25-2.1-5-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 3. (a) An application for a ~~certificate~~ **permit** must be made:

- (1) in a form; and
- (2) in the case of an application for renewal, between the dates the board specifies.

(b) The board shall grant or deny an application within ninety (90) days after the application is properly filed.

(c) When the applicant seeks the opportunity to show that issuance or renewal of a ~~certificate~~ **permit** was mistakenly denied, or when the board is not able to determine whether a ~~certificate~~ **permit** should be granted or denied, the board may issue to the applicant a temporary ~~certificate~~ **permit** that expires ninety (90) days after issuance or when the board determines whether to issue or renew the ~~certificate~~ **permit**.

SECTION 31. IC 25-2.1-5-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 4. (a) An applicant for initial issuance or renewal of a permit to practice under this chapter must show: ~~that each partner, member, officer, or shareholder who regularly works in Indiana; and each employee holding a certificate who regularly works in Indiana; except employees who have not yet accumulated sufficient experience to qualify for a certificate under IC 25-2.1-3-10; holds a valid individual certificate issued under IC 25-2.1-4 and that each other partner, member, officer, or shareholder holds a certificate and is licensed to practice accountancy in another state.~~

- (1) a simple majority of the ownership of the firm, in terms of financial interests and voting rights of all partners, officers, shareholders, members, or managers, belongs to holders of an active CPA certificate issued under this article or a corresponding certificate that is issued after examination by another state; and

- (2) the partners, officers, shareholders, members, or



managers whose principal place of business is in Indiana and who practice accountancy in Indiana hold a valid CPA certificate issued under this article.

(b) For firms of public accountants, at least a simple majority of ownership of the firm, in terms of financial interests and voting rights, must belong to public accountants certified under IC 25-2.1-6.

(c) A firm issued a permit under this section may include nonlicensee owners if:

(1) the firm designates a licensee who is responsible for the proper registration of the firm and identifies that individual to the board;

(2) all nonlicensee owners are active individual participants in the CPA or PA firm or affiliated entities; and

(3) the firm complies with the other requirements that the board may impose by rule.

(d) An individual licensee who is responsible for supervising attest or compilation services and signs or authorizes an individual to sign the accountant's report on the financial statements on behalf of the firm, shall meet the competency requirements set out in the professional standards adopted by the board for the services.

(e) An individual licensee who signs or authorizes an individual to sign the accountant's report on the financial statements on behalf of the firm shall meet the competency requirement of subsection (d).

SECTION 32. IC 25-2.1-5-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 5. (a) An applicant for initial issuance or renewal of a permit to practice as a CPA firm under this chapter must:

(1) register each office of the firm within Indiana with the board; and

(2) show that ~~each office is~~ **all attest and compilation services rendered in this state are** under the charge of an individual holding a valid CPA certificate issued under ~~IC 25-2.1-4~~ **this article or the corresponding provisions of another state.**

(b) An applicant for initial issuance or renewal of a permit to practice as a PA firm under this chapter must:

(1) register each office of the firm within Indiana with the board; and

(2) show that all attest and compilation services rendered in this state are under the charge of an individual holding a valid CPA or PA certificate issued under this article or the

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1 **corresponding provision of another state.**

2 SECTION 33. IC 25-2.1-5-7 IS AMENDED TO READ AS
3 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 7. **(a)** An applicant for
4 initial issuance or renewal of a permit under this chapter shall:

5 (1) list each state in which the applicant has applied for or holds
6 a permit to practice accountancy **as a firm**; and

7 **(2) list any past denial, revocation, or suspension of a permit**
8 **by another state; and**

9 **(3) notify the board in writing, not more than thirty (30) days after**
10 **a change:**

11 (A) in the identities of partners, members, officers, or
12 shareholders who work regularly in Indiana;

13 (B) in the number or location of offices in Indiana;

14 (C) in the identity of the individuals in charge of the offices;
15 and

16 (D) of the issuance, denial, revocation, or suspension of a
17 permit by another state.

18 **(b) Firms that fail to comply with this chapter due to changes in**
19 **firm ownership or personnel, after receiving or renewing a permit,**
20 **shall take corrective action to bring the firm into compliance as**
21 **quickly as possible. The board may grant a reasonable time for a**
22 **firm to take corrective action. Failure to bring the firm into**
23 **compliance within a reasonable period as determined by the board**
24 **shall result in the suspension or revocation of the firm permit.**

25 SECTION 34. IC 25-2.1-6-1 IS AMENDED TO READ AS
26 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1. **(a)** A certificate shall
27 be granted by the board to any individual who:

28 (1) is at least eighteen (18) years of age;

29 (2) has not been convicted of:

30 (A) an act that would constitute a ground for disciplinary
31 sanction under IC 25-2.1-8; or

32 (B) a felony that has a direct bearing on the applicant's ability
33 to practice competently; and

34 (3) has met either of the following education and examination
35 requirements:

36 (A) Graduation **with a two (2) year associate degree** from an
37 accredited ~~high school~~, business college, college, or university
38 recognized by the board, **the total educational program to**
39 **include an accounting concentration or equivalent**, and
40 passage of a ~~written~~ **an** examination established by the board
41 in accounting theory and practice.

42 (B) Graduation with a baccalaureate degree conferred by a

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college or university recognized by the board and the satisfactory completion of the semester hours in accounting, business administration, economics, and other related subjects as the board determines to be appropriate, and passage of a written examination established by the board in accounting theory.

(b) The board's authority to grant a certificate under this section expires July 1, 2006.

SECTION 35. IC 25-2.1-6-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 2. A candidate who meets the education requirements of graduation from a business college or university recognized by the board under section 1(a)(3) of this chapter is eligible to take the examination under this chapter if the applicant also meets the requirements under section ~~1(2)~~ **1(a)(2)** of this chapter.

SECTION 36. IC 25-2.1-6-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 5. An individual who is registered with the board to practice accounting as an accounting practitioner and holds a valid certificate issued under **IC 25-2.1-6-1** or renewed under IC 25-2.1-4 may be known as an "accounting practitioner" and may use the abbreviation "AP". However, an individual registered as an accounting practitioner may not prepare or render accounting opinions or certificates for any purpose, including financial statements, schedules, reports, or exhibits for publication, credit purposes, and use in a court.

SECTION 37. IC 25-2.1-6-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 6. A firm engaged in Indiana in the practice of accountancy as accounting practitioners shall register with the board as a firm of accounting practitioners, and have and maintain all of the following requirements:

- (1) A least one (1) partner must be a certified public accountant, a public accountant, or an accounting practitioner **who holds an active certificate to practice** in Indiana.
- (2) Each partner personally engaged within Indiana in the practice of accountancy as a member of the firm must be a certified public accountant, a public accountant, or an accounting practitioner **who holds an active certificate to practice** in Indiana.
- (3) Each partner:
 - (A) shall be a certified public accountant, a public accountant, or an accounting practitioner in good standing of a state; or
 - (B) who is a nonresident of the United States and who is not a certified public accountant, a public accountant, or an



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1 accounting practitioner in good standing of a state shall hold
 2 a license or rating in a foreign country that is equivalent to that
 3 of a certified public accountant, a public accountant, or an
 4 accounting practitioner in the United States.

5 (4) Each resident manager in charge of an office of a firm in
 6 Indiana must be a certified public accountant, a public
 7 accountant, or an accounting practitioner **who holds a certificate**
 8 **to practice** in Indiana.

9 SECTION 38. IC 25-2.1-6-7 IS AMENDED TO READ AS
 10 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 7. (a) An application
 11 for registration must be verified by a partner, a member, an officer, or
 12 a shareholder of the firm who holds a certificate to practice in Indiana
 13 as a certified public accountant, a public accountant, or an accounting
 14 practitioner.

15 (b) The board shall determine whether each applicant is eligible for
 16 registration.

17 (c) A firm that is registered and holds a firm permit issued under
 18 ~~IC 25-2.1-5~~ **this chapter** may use the words "accounting practitioners"
 19 or the abbreviation "APs" in connection with the firm's name.

20 (d) Notification must be given the board, at least thirty (30) days
 21 after the admission to or withdrawal of a partner, a member, an officer,
 22 or a shareholder residing in Indiana from a registered firm.

23 SECTION 39. IC 25-2.1-6-8 IS ADDED TO THE INDIANA CODE
 24 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
 25 1, 2001]: **Sec. 8. (a) The board shall issue or renew a permit to an**
 26 **accounting practitioner firm that applies and meets the**
 27 **requirements under this chapter.**

28 (b) **Applications and renewals under this chapter are subject to**
 29 **IC 25-2.1-5-2 and IC 25-2.1-5-3.**

30 SECTION 40. IC 25-2.1-8-1 IS AMENDED TO READ AS
 31 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1. (a) The board may
 32 impose sanctions for any of the following reasons:

- 33 (1) A violation of IC 25-1-11-5.
- 34 (2) Revocation or suspension of the right to practice before a state
 35 or federal agency.
- 36 (3) Dishonesty, fraud, or gross negligence in the practice of
 37 accountancy or in the filing of or failure to file the licensee's own
 38 income tax returns.
- 39 (4) Any conduct reflecting adversely on the licensee's fitness to
 40 engage in the practice of accountancy.
- 41 (5) Failure to complete continuing education requirements
 42 satisfactorily.



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(6) Failure to furnish evidence, when required, of satisfactory completion of continuing education requirements.

(b) A holder of a CPA certificate issued under this article is subject to disciplinary action in this state if the CPA certificate holder:

(1) offers or renders services or uses the CPA title in another state; and

(2) commits an act in that other state for which the CPA certificate holder would be subject to discipline in the other state if the CPA certificate holder were licensed in the other state.

SECTION 41. IC 25-2.1-9-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1. **(a)** The board may, upon receipt of a complaint or other information suggesting a violation of this article or IC 25-1-11, conduct an investigation to determine whether a violation has occurred.

(b) The board shall investigate any complaint made by the board of accountancy of another state against the holder of a CPA certificate issued under this article who offers or renders services in that state.

SECTION 42. IC 25-2.1-12-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 2. (a) Except as provided in subsection (b), an individual or a firm not holding a valid **CPA or public accountant** certificate **under this article** or permit under ~~IC 25-2.1-4~~ or IC 25-2.1-5 may not issue a report on financial statements of another individual, member, organization, or governmental unit.

(b) Notwithstanding subsection (a):

(1) an officer, a partner, or an employee of a firm or an organization may sign a statement or report in reference to the financial affairs of the firm or organization with any wording designating the position, title, or office that the signor holds; and

(2) a public official or employee may, in the performance by an individual of other services, use accounting skills, including the preparation of tax returns, management advisory services, and the preparation of financial statements without the issuance of reports related to those documents.

(c) A CPA or public accountant may not issue a report in standard form upon a compilation of financial information through any form of business that does not hold a valid permit issued under IC 25-2.1-5 unless the report discloses the name of the business through which the individual is issuing the report, and the

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individual:

- (1) signs the compilation report identifying the individual as a CPA or public accountant; and
- (2) meets the competency requirement provided in applicable standards.

SECTION 43. IC 25-2.1-12-3.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 3.5. A holder of a CPA or PA certificate issued under this article may not perform attest services except through a firm that holds a valid permit under IC 25-2.1-5.

SECTION 44. IC 25-2.1-12-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 4. (a) An individual ~~not holding a valid certificate~~ may not use the title or designation "certified public accountant", or the abbreviation "CPA" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the individual is a certified public accountant **unless the individual:**

- (1) holds a valid CPA certificate;
- (2) meets the substantial equivalency standards of this article; or
- (3) is an employee of a firm holding a permit under IC 25-2.1-5 and has not been an employee long enough to meet the experience requirement under IC 25-2.1-3-10 for a certificate.

(b) A licensee who has selected inactive status on the licensee's renewal form may not use the title or designation "certified public accountant" or the abbreviation "CPA" unless the title, designation, or abbreviation is immediately followed by the word "inactive".

SECTION 45. IC 25-2.1-12-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 5. A firm may not **provide attest services or** use the title or designation "certified public accountant", or the abbreviation "CPA", or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the firm is composed of certified public accountants, unless:

- (1) the firm holds a valid permit issued under IC 25-2.1-5; and
- (2) ~~each partner, member, officer, and shareholder of the firm holds a certificate:~~ **ownership of the firm meets the requirements of this article and the rules adopted by the board.**

SECTION 46. IC 25-2.1-12-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 6. (a) An individual may not use the title or designation "public accountant", or "accounting

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practitioner" or the abbreviation "PA", or "AP", or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the individual is a public accountant or an accounting practitioner unless the individual holds a valid certificate. ~~issued under IC 25-2.1-4.~~

(b) A licensee who has selected inactive status on the licensee's renewal form may not use the title or designation "public accountant" or "accounting practitioner" or the abbreviation "PA" or the abbreviation "AP" unless the title, designation, or abbreviation is immediately followed by the word "inactive".

SECTION 47. IC 25-2.1-12-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 8. An individual or a firm not holding a valid certificate or permit issued under ~~IC 25-2.1-4~~ or ~~IC 25-2.1-5~~ **this article** may not use the title or designation "certified accountant", "chartered accountant", "enrolled accountant", "licensed accountant", "registered accountant", "accredited accountant", or other title or designation likely to be confused with the titles "certified public accountant" or "public accountant", or "accounting practitioner" or use any of the abbreviations "CA", "EA", "LA", "RA", "AA", or similar abbreviation likely to be confused with the abbreviations "CPA", "PA", or "AP".

SECTION 48. IC 25-2.1-12-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 9. (a) An individual or a firm not holding a valid certificate or permit issued under ~~IC 25-2.1-4~~ or ~~IC 25-2.1-5~~ **this article** may not use a title or designation that includes the words "accountant", "auditor", or "accounting", in connection with any other words, including statements in a report that imply that the individual or firm holds a certificate or permit or has special competence as an accountant or auditor.

(b) Notwithstanding subsection (a), this section does not prohibit an officer, a member, a partner, a public official, an employee, a firm, or an organization from signing a statement in reference to the financial affairs of the firm, office, or organization with any wording designating the position, title, or office that the signor holds.

SECTION 49. IC 25-2.1-12-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 11. An individual ~~holding a certificate under this article~~ licensee may not engage in the practice of accountancy **in a firm holding a permit under this article** using a professional or firm name or designation that is misleading about:

- (1) the legal form of the firm;
- (2) the individuals who are partners, members, officers, or

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1 shareholders of the firm; or

2 (3) about any other matter.

3 However, the names of former partners or shareholders may be
4 included in the name of a firm or a firm's successor.

5 SECTION 50. IC 25-2.1-13-1 IS AMENDED TO READ AS
6 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1. (a) Whenever, as a
7 result of an investigation under IC 25-2.1-9, the board believes that an
8 individual or a firm has engaged or is about to engage in an act or a
9 practice that constitutes or will constitute a violation of IC 25-2.1-12,
10 the board may apply to a circuit or superior court for an order enjoining
11 the act or practice.

12 (b) If the board ~~proves~~ **determines** that the individual or firm has
13 engaged or is about to engage in an act or practice, an injunction,
14 restraining order, or other appropriate order may be granted by the
15 court.

16 SECTION 51. IC 25-2.1-12-10 IS REPEALED [EFFECTIVE JULY
17 1, 2001].

18 SECTION 52. [EFFECTIVE JULY 1, 2001] **(a) The Indiana board**
19 **of accountancy shall adopt emergency rules to implement**
20 **IC 25-2.1-2-15(9), IC 25-2.1-3-10, IC 25-2.1-4-4, and IC 25-2.1-5-4,**
21 **all as amended by this act, and IC 25-2.1-4-10, as added by this act,**
22 **in the manner provided for the adoption of emergency rules under**
23 **IC 4-22-2-37.1. An emergency rule adopted under this SECTION**
24 **expires on the earlier of:**

25 **(1) The date permanent rules are adopted under IC 4-22-2 to**
26 **replace the emergency rules adopted under this SECTION.**

27 **(2) July 1, 2003.**

28 **(b) This SECTION expires July 2, 2003.**

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Public Policy, Ethics and Veterans Affairs, to which was referred House Bill 1573, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 4, line 9, delete "(before its repeal)".

Page 5, line 39, delete ", **report**,".

Page 7, line 29, after "examination" insert ",".

Page 7, line 35, after "a" insert "**CPA**".

Page 7, between lines 40 and 41, begin a new paragraph and insert:
 "SECTION 20. IC 25-2.1-3-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 6. (a) To qualify for a **CPA** certificate an applicant must pass all sections of the examination provided for in this chapter.

(b) If at a sitting of the examination an applicant passes at least two (2) sections, the applicant is credited for those sections that the applicant has passed and is not required to sit for reexamination in those sections, if:

(1) the applicant wrote all sections of the examination at one (1) sitting;

(2) the applicant attained a minimum grade of fifty (50) on each section not passed at that sitting;

(3) the applicant passes the remaining sections of the examination within six (6) consecutive examinations given after the examination at which the first sections were passed;

(4) at each subsequent sitting at which the applicant seeks to pass any additional sections, the applicant writes all sections not yet passed; and

(5) in order to receive credit for passing additional sections in each subsequent sitting, the applicant attains a minimum grade of fifty (50) on sections written but not passed on that sitting."

Page 8, line 40, delete "11(a)(2)" and insert "**10(a)(2)**".

Page 9, line 10, strike "outside" and insert "**in**".

Page 9, line 11, after "accountancy" insert "**or another state**".

Page 10, line 17, after "or" insert "**another state of**".

Page 10, delete lines 35 through 42.

Page 11, delete lines 1 through 9.

Page 11, line 10, delete "IC 25-2.1-4-11" and insert "IC 25-2.1-4-10".

Page 11, line 12, delete "11." and insert "**10.**".

Page 11, line 25, after "IC 25-2.1-3" insert "**or a permit under**

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IC 25-2.1-5".

Page 14, between lines 19 and 20, begin a new paragraph and insert:

"SECTION 35. IC 25-2.1-6-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1. **(a)** A certificate shall be granted by the board to any individual who:

- (1) is at least eighteen (18) years of age;
- (2) has not been convicted of:
 - (A) an act that would constitute a ground for disciplinary sanction under IC 25-2.1-8; or
 - (B) a felony that has a direct bearing on the applicant's ability to practice competently; and
- (3) has met either of the following education and examination requirements:
 - (A) Graduation **with a two (2) year associate degree** from an accredited ~~high school~~, business college, college, or university recognized by the board, **the total educational program to include an accounting concentration or equivalent**, and passage of a ~~written~~ **an** examination established by the board in accounting theory and practice.
 - (B) Graduation with a baccalaureate degree conferred by a college or university recognized by the board and the satisfactory completion of the semester hours in accounting, business administration, economics, and other related subjects as the board determines to be appropriate, and passage of a written examination established by the board in accounting theory.

(b) The board's authority to grant a certificate under this section expires July 1, 2006.

SECTION 36. IC 25-2.1-6-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 2. A candidate who meets the education requirements ~~of graduation from a business college or university recognized by the board~~ **under section 1(a)(3) of this chapter** is eligible to take the examination under this chapter if the applicant also meets the requirements under section ~~1(2)~~ **1(a)(2)** of this chapter."

Page 14, line 24, delete "(before its repeal)".

Page 16, between lines 41 and 42, begin a new paragraph and insert:

"(c) A CPA or public accountant may not issue a report in standard form upon a compilation of financial information through any form of business that does not hold a valid permit issued under IC 25-2.1-5 unless the report discloses the name of the business through which the individual is issuing the report, and the

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individual:

- (1) signs the compilation report identifying the individual as a CPA or public accountant; and**
- (2) meets the competency requirement provided in applicable standards."**

Page 19, delete lines 10 through 12, begin a new paragraph and insert:

"SECTION 51. IC 25-2.1-12-10 IS REPEALED [EFFECTIVE JULY 1, 2001]."

Page 19, line 16, delete "and IC 25-2.1-4-11".

Page 19, line 17, delete "both".

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1573 as introduced.)

KUZMAN, Chair

Committee Vote: yeas 12, nays 1.

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